

Dated:
December 31, 2011

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA



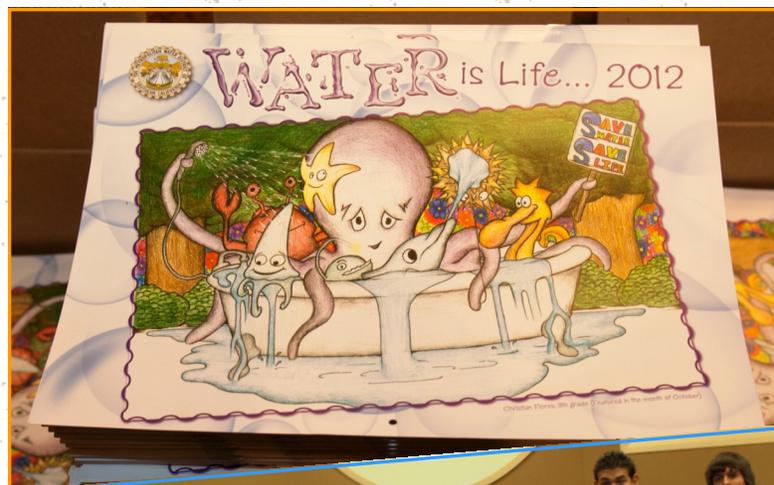
GENERAL MANAGER'S MONTHLY ACTIVITY REPORT FOR DECEMBER 2011

THIS REPORT IDENTIFIES THE ACTIONS/ACTIVITIES TAKING PLACE DURING THE MONTH THAT SUPPORT THE OBJECTIVES OF THE GENERAL MANAGER'S FISCAL YEAR 2011/12 BUSINESS PLAN.

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Metropolitan hosted the "Water is Life" Student Art Recognition event on December 7 for student artists, their family members, principals and teachers and member and retail agency staff. The students' art was exhibited in the rotunda at Metropolitan's headquarters and will be exhibited at participating member agencies in January 2012.



BAY-DELTA INITIATIVES

Complete the public draft Bay Delta Conservation Plan and the associated draft Environmental Impact Report/Environmental Impact Statement

In response to recent public comments on the Bay Delta Conservation Plan Memorandum of Agreement, the state and federal agencies participating in the BDCP process are taking steps to post preliminary draft working versions of various BDCP and Environmental Impact Report/Environmental Impact Statement chapters on the internet for public review. While these postings are not part of a formal public review process, it is expected that many stakeholder groups will provide comments on these preliminary draft documents. Metropolitan, along with representatives of other water agencies, will review these materials and determine how best to support the development of the official public draft reports.

Develop near-term measures, compatible with a long-term Delta solution, to improve water supply reliability and water quality, and facilitate protection and enhancement of Delta ecosystems and associated species

Turbidity Forecasting—Consultant task orders have been executed to conduct turbidity forecasting for the upcoming delta smelt spawning period that occurs in the winter. Turbidity Forecasting utilizes modeling techniques to forecast Delta water turbidity and adult delta smelt conditions during the winter months. This effort will provide information, which will be shared in a timely manner with the fishery reserve agencies, the California Department of Water Resources, U. S. Bureau of Reclamation, and other stakeholders to help improve water project operations to potentially reduce the delta smelt salvage at the export pumps and improve water supply reliability. A meeting was held on December 2 to kick off the 2011/12 forecasting season. Participants included project consultants and staff from DWR, USBR and the U. S. Geological Survey. The first Delta turbidity and adult delta smelt forecast was produced, covering the period December 8 through 27. Leading up to the forecast, Delta inflows and turbidity have been low due to dry conditions. The forecast does not anticipate any storms or significant turbidity events. As a result, the forecast does not anticipate delta smelt movement into the south Delta. Results will be posted on a website named BayDeltaLive. A meeting was held with U. S. Fish and Wildlife Service staff on December 19 to discuss opportunities to collaborate on the continued development and application of the turbidity forecasting approach.

Develop long-term Delta improvements through the Bay Delta Conservation Plan, including measures that implement conveyance and species conservation improvements

Delta Habitat Conservation and Conveyance Program (DHCCP)—During this past month, the California Department of Water Resources and DHCCP consultants worked with other state and federal agencies to narrow down the intake locations on the Sacramento River. DWR and their consultants have also completed all scheduled initial field geotechnical work on public lands for 2011. This work included a combined 64 boring and cone penetration tests. DWR continues to conduct laboratory testing on the soil samples collected. DWR is also continuing to work and negotiate with private property owners to gain access for the initial field geotechnical investigations on their property. Also the California Water Commission has granted the requested Resolutions of Necessity for DWR to proceed with the eminent domain process, if it is required. This affects geotechnical work at 30 locations on private property. The field geotechnical work on private lands represents approximately 40 percent of field geotechnical work planned for this phase. The geotechnical investigation work is on the schedule critical path.

Ensure that Delta emergency response measures are implemented, including actions to develop a fresh water pathway after a major emergency event in the Delta

Delta Flood Emergency Preparedness, Response and Recovery Program—The California Department of Water Resources is expected to issue an administrative draft of the Delta Flood Emergency Preparedness, Response and Recovery Program for executive review in the first quarter 2012, for agency review in the second quarter, and as a final document in the fourth quarter. A meeting was held with representatives of Reclamation District 2028, DWR, and the U. S. Army Corps of Engineers on the feasibility study cost estimate of providing landside levee fill to reduce levee slumping along the emergency freshwater pathway, including in kind contributions in order to limit costs. The reduction in study costs could result in adequate overall study funding. Cost estimates for the addition of landside fill will include evaluating multiple borrow sources and haul routes, including Corp of Engineers sources at Grand Island and private sources at Decker Island and Roberts Island.

WATER SUPPLY CONDITIONS as of December 31, 2011

2012 SWP Allocation:

1,146,900 AF

60% of Table A

(Does not include CVWD & DWA Table A)

Preliminary 2012 Colorado River Supply:

716,700 AF

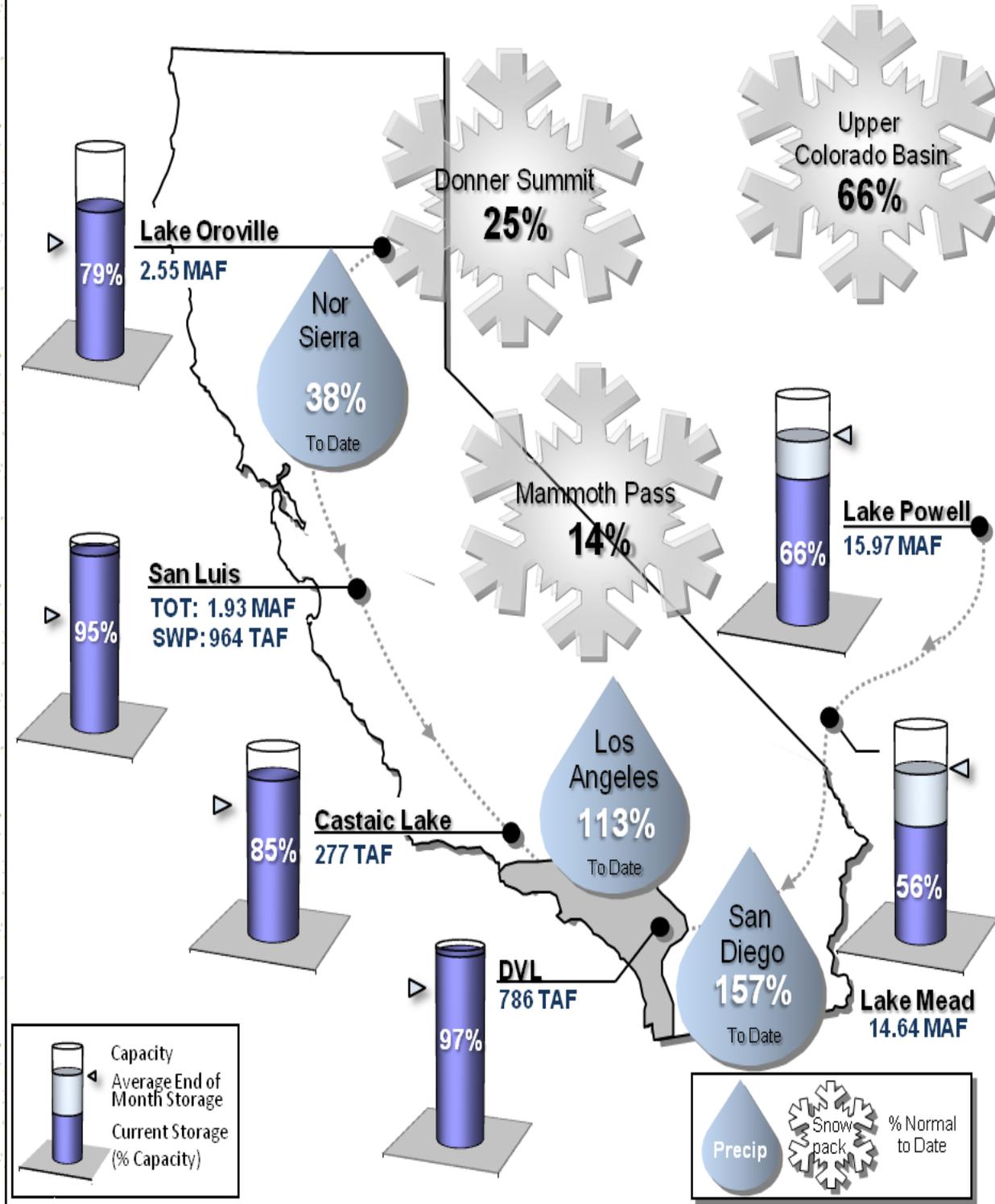
57% of full CRA

(Does not include ICS)

Statewide Snowpack:

19%

(Percent of Normal to Date)



WATER RESOURCE MANAGEMENT—Water Supply

Complete Local Resources Development Strategy, review Local Resources Program, and obtain Board approval

Local Resources Development Strategy—Staff held two meetings of the Local Resources Development Strategy Task Force. The Task Force evaluated the pros and cons of each of the nine identified financial approaches and ranked them based on the ability to meet the Integrated Resources Plan goal and the net financial impact and risk on Metropolitan.

Implement the Local Resources Program and Conservation Program effectively

WateReuse Foundation's Workshop—Metropolitan hosted the WateReuse Foundation's workshop on water recycling research opportunities for the commercial and industrial sectors. The focus of the workshop was to identify research topics that advance the use of recycled water in commercial applications. More than 60 attendees from various industries including food and beverage, metal plating, cooling towers and manufacturing, including member and retail agencies, attended the workshop. The Foundation will forward input received at the workshop to its Research Advisory Committee for consideration in developing priorities and projects.

Collaborate with member agencies to coordinate planning efforts, develop policy recommendations, and promote consistent public communications in water resource management issues

Replenishment Review Process—During the month of December, staff and the member agencies participated in two workgroup meetings as a part of the ongoing Replenishment Review process. In these meetings the workgroup discussed the remaining unresolved details of the replenishment program proposal. Based on these discussions, staff will bring an information item to the Board in January 2012, followed by recommendations for a revised program in February.

Participate, and lead where appropriate, in statewide and regional planning efforts

Southern California Water Committee Stormwater Task Force—Staff participated in completing a draft Task Force white paper addressing opportunities for integrated water management through municipal stormwater regulation.

Salt and Nutrient Management Plan Process—Staff attended a workshop held by the Los Angeles Regional Water Quality Control Board to review the requirements for the plans being developed for each groundwater basin pursuant to the State Board's Recycled Water Policy. Metropolitan staff continued informal discussions with regional board staff regarding technical issues associated with development of the plans.

Groundwater Legislative Proposal—Staff continued to work with WateReuse and the Groundwater Resources Association to review the potential for developing legislation to streamline groundwater monitoring requirements by incorporating them in monitoring conducted for the Groundwater Ambient Monitoring and Assessment Program.

Recycled Water Use for Groundwater Recharge—Staff attended the workshop held by the Department of Public Health to review proposed draft regulations for use of recycled water to recharge groundwater basins. Provided comments and questions on the draft regulations to WateReuse.

Ensure cost-effective and reliable State Water Contract supply

Return of Surplus Funds—DWR returned \$7.45 million from the Equipment Replacement Reserve. The returned funds were considered surplus to current requirements. The return of surplus funds was a result of efforts by staff of Metropolitan, Kern County Water Authority, and State Water Contractors Inc.

Implement Foundational Actions for Potential New Sources of Supplies. Staff provided assistance or letters of support for projects that may produce new future local supplies for Foothill MWD, Municipal Water District of Orange County, and West Basin MWD.

Work cooperatively with Department of Water Resources and U.S. Bureau of Reclamation to streamline approvals for future Sacramento Valley water transfers

Water Transfers—Staff participated in a workshop convened on December 19 by California Department of Water Resources and U.S. Bureau of Reclamation. The workshop was convened to discuss technical guidelines that will be used for future water transfers. Staff also participated in a December 20 conference call with attorneys representing Sacramento Valley sellers to discuss a potential streamlined approach for water transfer agreements with the California Department of Water Resources

WATER RESOURCE MANAGEMENT—Water Supply

Maintain Colorado River water supply and operational benefits regardless of Quantification Settlement Agreement implementation

Binational Process—Edward Drusina, United States Commissioner, and Roberto Salmón Castelo, Mexican Commissioner of the International Boundary and Water Commission, provided their perspectives on the cooperative binational discussions at the Colorado River Water Users Association meeting. The next steps are to refine the United States and Mexican proposals in the broad subject areas identified and better define proposed binational projects, with a goal of developing an International Boundary and Water Commission Minute for signature. As quick action is a priority, conclusion of the discussions this winter would allow for approval of a Minute by the two governments by the spring of 2012.

Yuma Desalting Plant Pilot Project Refund—Metropolitan received an \$800,000 refund from the U.S. Bureau of Reclamation due to lower than expected costs of the Yuma Desalting Plant Pilot Project. Reclamation will remit any additional remaining balance once all items have been closed relating to the Pilot Project.

WATER SYSTEM OPERATIONS—System Reliability

System Operations delivered approximately 91,000 acre-feet of water to meet member agency demands in December, which is an average of about 2,900 AF per day, or roughly the same average daily deliveries as November 2011. Treated water deliveries for December totaled 60,000 AF or 1,900 AF per day. Additionally, 10,200 AF was delivered to Desert Water Agency and Coachella Valley Water District in exchange for their State Water Project Table A supplies.

The Colorado River Aqueduct operated at a one-pump flow for the month of December to meet Colorado River diversion and Lake Mead Intentionally Created Surplus storage targets. State Water Project deliveries were 107,000 AF in November, including 38,000 AF delivered via the Inland Feeder. Blends of SWP remained high at the Weymouth, Diemer, and Skinner water treatment plants in December. Increased delivery of SWP water into the service area is a high priority, given the favorable supply conditions from the SWP this year.

System Operations continued to maximize power generation whenever possible. In December, Metropolitan's hydroelectric plants generated an average of 36 megawatts for a total of 26,900 megawatt-hours, which is similar to November generation due to similar water deliveries. Power production from Diamond Valley Lake for the month of December was about 4,900 MWh and the Etiwanda hydroelectric plant generated 6,600 MWh.

Staff performed a 24-hour test run of the Greg Avenue pumping plant to ensure reliable operation after the units were rebuilt in early fall. The pumping plant serves as an emergency backup source of supply to the Jensen water treatment plant service area. The test was successful as the pumps operated reliably for the full 24-hour test period at an approximate flow rate of 60 cubic feet per second.

Optimize maintenance

Distribution System—A 10-day shutdown of San Diego Pipeline No. 3 & No. 5 began on December 4. The shutdown allowed the San Diego County Water Agency to repair and perform maintenance on their portion of the pipelines. During a routine maintenance cycle, eight small isolation valves were identified as failing and unable to provide closure and isolation. These valves provide isolation for vacuum valves, which protect pipelines from unusual pressure or vacuum conditions. During the shutdown, staff successfully replaced the failed valves on San Diego Pipeline No. 3. The shutdown also allowed Metropolitan to perform routine maintenance on the Red Mountain hydroelectric plant located on San Diego Pipeline No. 5. The shutdown was completed one-day ahead of schedule.

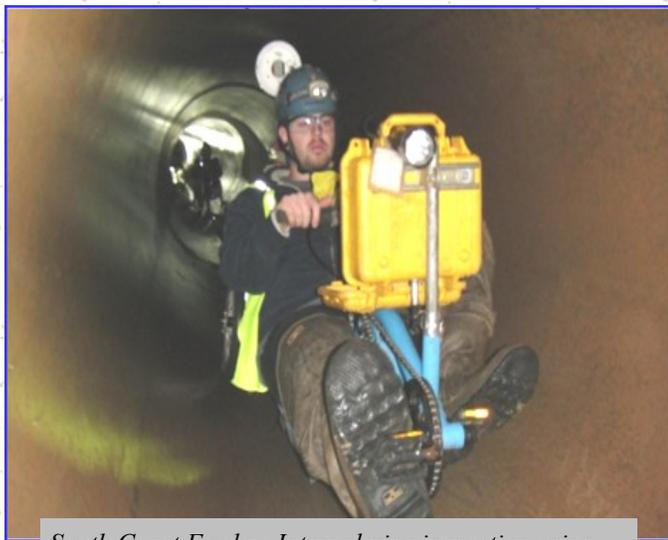
Colorado River Aqueduct—As part of the on-going effort to address infrastructure protection needs in the Desert Region, staff completed the coating of Eagle Mountain

WATER SYSTEM OPERATIONS—System Reliability

Continued from page 5

pumping plant discharge pipes for Units 1, 2 & 3. (see photos to the right)

A five-day shutdown of the South Coast Feeder began on December 5. This shutdown allowed Metropolitan to inspect the prestressed concrete pipe portion of the feeder and to perform other minor repairs. (see photo below)



South Coast Feeder: Internal pipe inspection using Remote Field Eddy Current technology



Eagle Mountain: Before coating the discharge pipes



Eagle Mountain: After coating the discharge pipes

In conjunction with the California Department of Water Resources, a three-day shutdown of the Box Springs Feeder began on December 12. This shutdown allowed DWR to install a bulkhead on its Santa Ana Valley Pipeline to enable Metropolitan to pump water from Lake Perris to the Mills plant. This "pump back" operation will occur for approximately four weeks while DWR upgrades portions of the Santa Ana Valley pipeline in the City of Colton.



Santa Ana Valley Pipeline: Bulkhead installation

WATER SYSTEM OPERATIONS—System Reliability

Optimize maintenance

On December 11, a nine-day shutdown began on the Lakeview Pipeline. The Lakeview pipeline is the main outlet leaving Lake Perris and delivers State Project water to the San Diego canal. This shutdown allowed Metropolitan to repair two leaking pipe joints, inspect the feeder, and perform 3D laser imaging. The 3D laser imaging will document as-is conditions for reference including the location and monitoring of any anomalies found on the pipe. It provides thorough mapping and documentation of the pipe.

In addition, staff also added a new outlet structure in the pipeline to improve future access for equipment and personnel. This required excavating 14 feet to the top of the pipe and adding a new 24-inch diameter manhole and riser. (*see photos below*)



La Verne Shops: Fabrication of pipe elbows

Water Treatment Plants—Staff fabricated 31 pipe fittings of varying diameters in support of the Diemer plant chlorination project (see photo). This project will increase the chlorine dosage capacity at the combined filter effluent as part of the Diemer Ozone Retrofit Program.

WATER SYSTEM OPERATIONS—System Reliability

Support water resource programs

To maximize reliability, Metropolitan supports the California Department of Water Resources through reimbursable agreements. DWR has requested the refurbishment of four drop gates for the Thermalito Power Plant (see photo). Currently, the Thermalito radial gates have corrosion and debris material which is preventing them from properly closing. The drop gates isolate the radial gates and will be used to dewater the radial gate area to allow for the debris removal and repair of the radial gates. The scope of Metropolitan’s work consists of blasting and coating the drop gates and replacing the fasteners and seals.

Additionally, DWR requested the fabrication of four sets of air coolers for the Teering Pumping Plant using stainless steel and PVC material to replace existing corroded air coolers (see photo). Air coolers keep the pump motor temperature controlled for reliable operation.

Effectively manage power system requirements and optimize generation

In December, Metropolitan reversed four January forward energy contracts with the original suppliers. The contracts were sold due to lower energy requirements from reduced Colorado River Aqueduct pumping planned in 2012.

On December 20, President Obama signed the Hoover Power Allocation Act of 2011. The Act provides for Metropolitan to receive 95 percent of its current allocation of low-cost, renewable Hoover power for the next 50 years after the current contract expires in 2017. In most years, this will provide enough Hoover power to move 550 thousand acre-feet of Colorado River water through the CRA. Metropolitan and the other Hoover power contractors have been working on this issue since 2007.

In December, Metropolitan completed its 2011 annual review of the mandatory national electric reliability standards and requirements. Metropolitan verified and demonstrated its full compliance with over 80 standards and 106 unique requirements applicable to the 230kV CRA transmission system. Self-certification documents and authorized statements will be submitted to the Western Electricity Coordinating Council and Southern California Edison in January.

Develop workforce

Thirty apprentices completed the academic component of the state-certified Apprenticeship Program this month. This achievement represents four years of home study, monthly classes, and passing more than 90 written and practical tests. Over the next three months, the apprentices will complete the required 7,280 on-the-job training hours and receive their official journey-level certificates from the State of California. With this graduating class, nearly 25 percent of the journey-level staff working in the mechanical and electrical trades will have graduated from Metropolitan's Apprenticeship Programs.

Improve security and emergency response

On December 7, staff at the Jensen water treatment plant performed an evacuation and Automated External Defibrillator (AED) and tripod drill. The AED and tripod drill simulated a downed person in a manhole. Staff used the AED on the mannequin, set up the rescue tripod, attached the harness and winch line to the mannequin and raised and lowered the mannequin (see photos). This drill allowed staff to become familiar with using the AED and practice rescue procedures.

Staff attended the California Utility Emergency Association board meeting on December 14 in Sacramento. The purpose was to discuss a Federal Emergency Management Agency and California Emergency Management Agency planned two-day Southern California functional exercise for May 2012. The exercise is proposed to be hosted by the Los Angeles Department of Water and Power and Metropolitan. The purpose is to allow state and federal agencies to implement detailed plans contained in the Southern California Catastrophic Earthquake Plan. As host, Metropolitan would be involved in the planning stages for the Cajon Pass Task Force which will address issues should the pass become impassable. The Cajon Pass is the main corridor for railway and critical utilities traffic. Specific details of Metropolitan’s role will be forthcoming in early 2012.

WATER SYSTEM OPERATIONS—Water Quality

Protect source water quality

On December 14, Metropolitan staff attended the Pacific Gas and Electric Company Topock Stakeholder Site Visit for the Preliminary (30 percent) Design Submittal for the Final Groundwater Remedy. The site visit, hosted by PG&E allowed stakeholders an opportunity to view the site conditions and proposed remedy facility locations during the design review period which ends on January 18, 2012.

Optimize water treatment and distribution

Flow-weighted running annual averages for total dissolved solids for November 2010 through October 2011 were 433, 401, and 394 mg/L for the Diemer, Weymouth, and Skinner water treatment plants, respectively.

The target water blends increased from 65 to 80 percent and 65 to 100 percent State Project Water at the Diemer and Weymouth plants, respectively, through December. The Skinner plant remained at 80 percent State Project Water through December.

Provide technical support to member agencies

Water quality staff conducted a member agency water quality webinar on December 6. Staff provided updates on water supply, water quality, and water system operations, including a special presentation on the taste-and-odor events in Metropolitan's source waters in 2011.

Staff completed the rehabilitation of a conical plug valve and a check valve for use at service connection WB-26 through a reimbursable project for West Basin Municipal Water District (work began last month as previously reported). Staff completed the following activities: the dismantling, inspection, blasting and coating repairs, and replacement seals installation. The rehabilitated valve will be installed during a planned shutdown in March 2012.



Future Site of Topock In-Situ Treatment Zone

Fully comply with water quality, safety, and environmental regulations

Metropolitan complied with all water quality regulations and standards during the month of December.

On December 5, staff from the Safety and Environmental Services Section attended a training workshop on odor awareness. This workshop was an interactive program to help raise each person's awareness of their surroundings by providing specific information on odors and odor analysis. The participants also practiced odor evaluation techniques. These techniques will allow staff to identify odors, use a heightened sense of awareness, and determine if something in the environment is different (e.g., chemical leaks). The workshop was held by a consultant who has trained the Water Quality staff on Flavor Profile Analysis.

On December 13, California's Office of Administrative Law approved the California Air Resources Board's (CARB's) Cap-and-Trade regulation for greenhouse gases. Metropolitan is included in Cap-and-Trade regulations due to the supplemental imported energy for Colorado River Aqueduct pumping. The regulation is effective January 1, 2012 and compliance obligations to acquire and surrender allowances will begin in January 2013. As a follow-up to the Resolution adopted at the October 20 CARB hearing, representatives from the State Water Contractors, Department of Water Resources, and Metropolitan met with CARB staff on December 2. The discussions facilitated an understanding of participant's positions and interests on the allocation of free allowances and on the next steps in the process to try and resolve differences.

ENGINEERING SERVICES—Capital Investment Plan

Manage high priority projects which replace or rehabilitate equipment and facilities to enhance reliability, comply with regulations, and improve plant operating efficiency of Metropolitan's water treatment plants

Oxidation Retrofit Program (ORP)

This program was established to add ozonation at all five of Metropolitan's water treatment plants to provide disinfection, control tastes and odors, and reduce the level of disinfection by-products in the finished water. This program will enable Metropolitan to meet state and federal drinking water regulations. Recent activities include the following:

Diemer ORP

- Main ORP Contract—Construction of ozonation facilities is 91 percent complete and is scheduled to be complete by mid-2012. Commissioning of the new 66kV incoming electrical service from Southern California Edison to the Diemer plant is complete. An upcoming major shutdown is scheduled for early 2012 to connect the new ozone contactor structure to the plant's inlet piping.

Weymouth ORP

- ORP Switchgear Building—This building will house the breakers and other electrical equipment to serve power from the new 66 kV SCE incoming electrical service to the new ozonation facilities. Construction is 89 percent complete and is scheduled to be complete by mid-2012.
- Main ORP Facilities (Staged Capacity)—Final design is 95 percent complete and is scheduled to be completed by December 2011. This project is scheduled to be advertised for bids in January 2012.

Mills ORP

- Ozone System Reliability Upgrade—This project will install pre-purchased ozone generation equipment, which has been fabricated and is currently being stored in an off-site facility. Final design is 97 percent complete and is scheduled to be complete by February 2012.

Water Treatment Plant Improvements Programs

This program was initiated to maintain reliability and to improve operating efficiency of Metropolitan's water treatment plants through specific improvement projects. Recent activities include the following:

Weymouth Plant

- Electrical Upgrades—This project will upgrade the Weymouth plant's aging electrical system and enable connection to the new 66 kV incoming SCE electrical service. Construction is 89 percent complete and is scheduled to be complete by mid-2012.

Diemer Plant

- Emergency Broadcast System Upgrade—This project will expand and upgrade the plant's emergency broadcast system to address existing system deficiencies and meet the additional demand of new facilities. Construction of the upgrades was completed in December 2011.
- Filter Media Replacement—This project will replace anthracite and sand filter media to prevent the release of manganese in treated water after the plant switches to ozone. Construction is 20 percent complete and is scheduled to be complete by August 2012.

Skinner Plant

- Electrical Building and Ground Fault Protection Upgrades—This project will upgrade the electrical equipment and ground fault protection systems in 11 existing electrical buildings. Construction is 20 percent complete and is scheduled to be complete by mid-2014.

Mills Plant

- Sodium Hydroxide Storage Tank Replacement—This project will replace three deteriorated tanks which have been removed from service. Final design is 96 percent complete and is scheduled to be complete by January 2012.

ENGINEERING SERVICES—Capital Investment Plan

Manage high priority projects which replace or rehabilitate equipment and facilities, to enhance reliability of Metropolitan’s conveyance and distribution system, and to protect water quality

Conveyance and Distribution System Rehabilitation Program

This program was initiated to maintain reliable deliveries through specific repair and rehabilitation projects on Metropolitan’s pipelines, reservoirs, and control structures. Recent activities include the following:

- **La Verne Shop Upgrades**—This program is being executed in four stages. Stages 1 and 2 are complete, while Stage 3 is underway. This stage addresses needed upgrades to the coating shop facilities and equipment. Construction is 33 percent complete and is scheduled to be complete by December 2012.

Treated Water Cross Connection Prevention Program

This program will relocate 300 air release and vacuum valves from underground vaults to vaults at the ground surface to prevent potential cross connections.

- There are two remaining construction contracts to be completed out of the total of 12 contracts that relocated the 300 air release and vacuum valves. The two final contracts are 50 and 80 percent complete, and are scheduled to be complete by July 2012.



La Verne Shop Upgrades

Colorado River Aqueduct Reliability Programs

These programs were established to maintain reliability of the Colorado River Aqueduct. Recent activities include the following:

- **Pumping Plant Standby Generator Replacement**—This project will replace the 50-year-old generators which have reached the end of their service life. Additionally, upgrades to ancillary facilities are needed to meet current fire codes and environmental regulations.
 - **Eagle Mountain Pumping Plant**—Construction is 50 percent complete and is scheduled to be complete by May 2012.
 - **Hinds Pumping Plant**—Preliminary design is 95 percent complete and is scheduled to be complete by January 2012.
 - **Gene Pumping Plant**—Preliminary design is 35 percent complete and is scheduled to be complete by April 2012.
- **CRA Pumping Plants 230 kV Disconnect Switch Replacement**—This project will replace outdated disconnect switches at the Gene, Iron Mountain, Eagle Mountain and Hinds pumping plants. These high-voltage switches provide the primary means for isolating the pumping plants’ electrical system for maintenance and repair. Construction is 5 percent complete and is scheduled to be complete by March 2013.
- **Intake Power & Communication Line Relocation**—This project will replace a 2-mile-long power line which has deteriorated over 50 years of operation. The pole line is the primary source of power for critical facilities including Gene Wash Dam, the Black Metal Mountain communication towers, and Intake Village. Preliminary design is 85 percent complete and is scheduled to be complete by February 2012.
- **Seismic Evaluation of CRA Electrical Switch House Buildings**—This project includes a seismic evaluation of the electrical switch house buildings at all five CRA pumping plants. The switch houses contain electrical equipment that is used to stop and start the pumping plant motors. The seismic evaluation is 60 percent complete and is scheduled to be complete by May 2012.

BUSINESS TECHNOLOGY—Business Processes and Information Technology

Continue to implement sustainable business practices to reduce Metropolitan’s use of natural and renewable resources

Our Legacy E-Newsletter—The monthly issue of *Our Legacy*, Celebrate Green, was distributed on December 12. The issue provided over a dozen “Green” ideas that staff and their families can utilize during the holiday season.

Rideshare Program—Through the end of December, Rideshare participation is averaging 40 percent for FY 2011/12. A new EForm has been created that allows Vanpool Coordinators to enter all vehicle and passenger information electronically and store it in a database for access by Rideshare staff.

Paper Reduction—During the second quarter of FY 2011/12, the Paper Reduction Program continued its success with 70 percent less office paper usage (compared to 2007 baseline); resulting in a cost savings of nearly \$18,000.

Continue to implement business improvements and promote self-service to increase organizational efficiency

Global Positioning System—In an effort to improve fleet management and to ensure access to fleet equipment during times of emergency and critical need, Metropolitan installed and tested global positioning system devices on 100 pieces of equipment used for emergency response and chemical deliveries. Favorable results from this initial phase led to a broader installation of 200 more units on pool cars, work-group vehicles, and long-term vehicle assignments.

The GPS units installed in many of the newer vehicles are directly connected to the on-board computer which allows remote monitoring and troubleshooting of mechanical, electrical, and emissions control systems. In addition, real-time GPS information will allow fleet management to provide roadside assistance or recover stolen vehicles. Finally, the GPS system will provide access to vehicle efficiency and driver productivity data which will help Metropolitan manage fleet costs.

Procurement Practices—During the month, staff reported to the Board a number of innovations brought to Metropolitan’s procurement and contracting functions. The innovation tools and techniques that have been implemented are a Contract Training Academy for all Metropolitan administrators, online bidding for vendors to deliver goods and services, online auctioning of Metropolitan salvage goods, cooperative multiagency contracting to obtain lowest possible pricing, warehouse inventory bar coding system to reduce time in receiving and issuing the over 6,000 inventory items Metropolitan utilizes, and negotiating price matching programs with our vendors to secure lowest possible costs. Savings for the past year has been over \$1.6 million and earned Metropolitan 10 awards of excellence and accreditations.

Efficiently maintain and operate Metropolitan’s Headquarters building, the Diamond Valley Lake Visitor Center, and the DVL Education Center

- Conducted a tabletop exercise with Headquarters Incident Command Center responders to review emergency roles and responsibilities.
- ICC staff received updated procedures and new maps identifying the boundaries within which seismic activity over 5.5 would require an automatic response.

BUSINESS TECHNOLOGY—Business Processes and Information Technology

Maintain an effective Business Outreach Program for regional, small, and veteran businesses to ensure broad participation and competitive costs

Support of State of California, Member Agencies, City of Los Angeles, the Southern California Business and Veteran Business Community

The Women’s Business Enterprise National Council (WBENC) presented Metropolitan’s Ken Ashford with an award - West Supplier Diversity Champion. This award is presented annually to recognize the significant and lasting contributions made by an individual, group or organization to the National Women’s Business Community.

Vendor Development, Training and Certification

Business Outreach was able to introduce over 1,200 businesses to Metropolitan’s business opportunities, training programs, and our E-Procurement, Vendor Registration, Small Business Certification, Contract Compliance and Accountability programs on NETConnect.

General Manager Kightlinger welcomed over 260 participants to the final *Managing Your Innovation* series of workshops and networking events for 2011. Mr. Kightlinger spoke about Metropolitan’s goals for the future; Metropolitan's and member agencies’ leadership role in encouraging the development of new technologies in the water industry including desalination, water storage, gray water, landscaping,

and Metropolitan’s Long-Term Conservation Plan recently implemented by the Board.

Business Outreach also continued vendor development, education, training, and support of the Southern California Business Community by participating in the following October 2011 award programs, conferences, expos and events:

- National Association of Women in Construction Leadership Event
- Women’s Business Enterprise Council Procurement Conference
- Los Angeles Venture Capital Association “Access to Capital” Panel and Workshops
- National Association of Women Business Owners Ventura County, Los Angeles, and Orange County Events
- Latin Business Association Los Angeles Awards Program

Storage

	12/31/2011 Storage (AF)	Percent of Capacity
DVL	785,663	97%
Lake Mathews	142,018	78%
Lake Skinner	36,513	83%

Useful information:

AF = acre-foot, the volume of water to cover an acre of land, one-foot deep.

Approximately 326,000 gallons of water, serves annual needs of two typical California families.

TAF=thousand acre-feet

HUMAN RESOURCES—Human Resources Excellence

Identify, assess, and manage risk

- The Risk Management Unit completed 38 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits and spills.
- Risk Management completed 53 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events and film permits.

Control Workers’ Compensation costs

- Conducted initial investigations on 6 injury incidents.
- Submitted 2 new claims to Metropolitan’s workers’ compensation claim administrator.
- Settlements were negotiated in 1 claim and 16 claims files were closed.
- Conducted Medvan at Jensen and Diemer facilities.
- Arranged 26 medical evaluations (DMV medical surveillance, hearing conservation, etc).
- Addressed 3 accommodation issues.
- Coordinated random drug/alcohol testing at 3 facilities.

Foster management excellence

Staff continued ongoing administration of three engagements with external coaches, and internal coaching and consultation for nine managers on issues from transition management and development to succession planning.

Foster learning and development

- Coordinated and delivered Day 5 of *New Manager Orientation*, which is part of a tiered approach to management development. Scheduled and publicized classes in the *Manager of Manager Series (MoMS)* and *Moving into Management* for next quarter.
- Delivered Part 4 of the *Persuasive Writing Training Series* to Water System Operations managers and employees.

Acquire talent

Seven new regular full-time employees, one District temporary employee and one Student Intern were brought on board during the month.

EXTERNAL AFFAIRS—Legislative, Communications and Community Relations

Strengthen Metropolitan’s community outreach efforts

Efforts and activities included:

- Metropolitan received proposals from a variety of community colleges, colleges and universities throughout Metropolitan’s service area in response to the Southern California World Water Forum Request For Proposal. Staff will confirm the proposals meet the basic selection criteria and the proposals will be formally reviewed and evaluated by members of the WWF Advisory Council and other designees.
- Metropolitan hosted the “Water is Life” Student Art Recognition event on December 7 for student artists, their family members, principals and teachers and member and retail agency staff. The students’ art was exhibited in the rotunda at Metropolitan’s headquarters and will be exhibited at participating member agencies beginning in January 2012.
- Staff conducted the First Technical Workshop for Solar Cup 2012 at Metropolitan’s headquarters on December 3. Over 150 students and teachers representing 23 teams attended the half-day event.
- Staff conducted six DVL Education Program field trips for nearly 200 students in grades 4-6 from the Hemet, Lake Elsinore, Perris and Temecula Valley Unified School Districts. Staff worked with nearly 150 students on four collaborative field trips with the Western Science Center.

EXTERNAL AFFAIRS—Legislative, Communications and Community Relations

Continue to develop and implement local, state, and federal water policy and legislative strategies consistent with board-adopted policies

Federal Legislation

On December 7, H.R. 470, the Hoover Power Allocation Act of 2011, was passed by the House of Representatives, and President Obama signed the bill on December 20. This legislation, one of Metropolitan’s key federal priorities, will ensure 50 years of reliable, low-cost, renewable energy to annually move over 550,000 acre-feet of water on Metropolitan’s Colorado River Aqueduct.

On December 17, H.R. 2664 (Napolitano), the Reauthorization of Water Desalination Act of 2011, passed the House and Senate. This measure, when signed into law, will fund federal research and development projects to improve desalination, the process of converting seawater into drinking water. The bill was included as part of H.R. 3671, a larger year-end funding bill for the military and Veteran’s Affairs. The bill reauthorizes the Desalination Act of 1996, allocating \$3 million a year through 2013 to conduct research and improve water desalination processes. Since 1996, projects or studies have been funded in more than half of the 50 states, with 38 projects funded in California alone.

Support board member communications and working relationships with elected officials, other government leaders, and business and community leaders

Beginning November 28 and extending through December 2, the Association of California Water Agencies held its annual fall conference. This year’s conference was held in the City of Anaheim. Several Metropolitan directors and staff attended and participated in conference programs and committee meetings, including ACWA’s communications, federal affairs, legal, outreach, water management and water quality committees. Metropolitan directors and staff were featured speakers on several conference panels, and Metropolitan Director and Anaheim City Councilmember Kristine Murray provided the official welcome on behalf of the City. In addition, Metropolitan Vice Chairman and Eastern Municipal Water District director Randy Record was installed as ACWA’s President for the 2012-2013 term.

Coordinate and communicate day-to-day efforts to maintain and improve: operations and maintenance; source water quality protection and water treatment; infrastructure replacement, refurbishment and development; emergency management; and media communications and community outreach

Efforts and activities included:

- Coordinated the distribution of over 700 notices to residents and businesses regarding the upcoming Allen McCulloch Pipeline shutdown and repair project.
- Arranged interview with General Manager Kightlinger and Time magazine reporter for a story about water challenges facing Southern California, including the state of water supplies in the Colorado River Basin and Sacramento-San Joaquin Delta.
- Set up interview with Senior Deputy Legal Counsel Joe Vanderhorst and AP reporter regarding Metropolitan’s role in the settlement of a longstanding water rights lawsuit filed by the Soboba Indian tribe in Riverside County.
- Arranged interview with General Manager Kightlinger and San Francisco Chronicle reporter to discuss the Bay Delta Conservation Plan.
- Made arrangements for General Manager Kightlinger to be interviewed on film regarding the Quantification Settlement Agreement and new Colorado River operation agreements as part of the Colorado River Water Users Association Oral History Project.
- Issued a press release about San Diego County Water Authority representative Doug Wilson joining the Metropolitan Board of Directors.

REAL PROPERTY DEVELOPMENT AND MANAGEMENT GROUP

Real Property Management

Implement land use plans, including property entitlements, for the Diamond Valley Lake area utilizing sustainability principles, as directed by the Board of Directors

As part of the effort to achieve desired property entitlements, staff submitted input and attended meetings and hearings of the City of Hemet City Council on updating the City of Hemet General Plan. On December 13, the City Council, following a public hearing, directed staff to prepare final changes to the Draft General Plan and Final EIR.

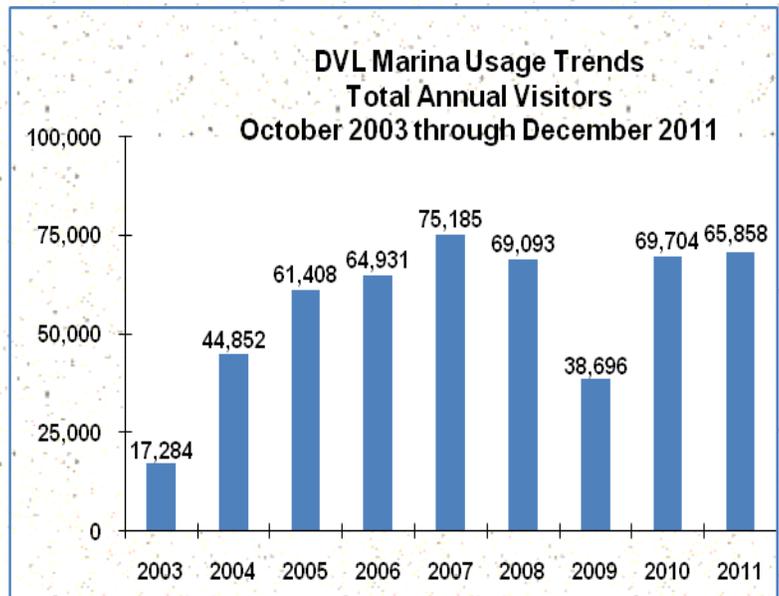
Develop policies, strategies, and actions that enable sustainability in all aspects of real property including development, revenue optimization, appraisal, acquisition and annexation while concurrently improving the planning, management, and quality of internal real property activities and services

- A one-day entry permit was granted to use 125 parking spaces at Metropolitan’s headquarters building.
- Metropolitan sponsored a booth at the Film Industry Convention “ShowBiz Expo” to promote filming at Metropolitan’s approved locations. It is estimated that over 300 people visited Metropolitan’s booth and picked up approximately 250 film brochures.

Manage natural resources and related facilities at Diamond Valley Lake and Lake Skinner through best management and sustainable practices to effectively protect water quality

Metropolitan received the first two months’ rent on the newly executed percentage lease with Urban Park Concessionaires for the operation of the DVL Marina and the Lakeview Trail. The \$15,738 received represents 7 percent of the October 2011 gross receipts. Negotiations for a long-term lease are underway and will be brought to the Board for approval in early 2012.

Diamond Valley Lake has hosted approximately 512,000 visitors at its marina facilities and 123,000 private boats have launched since the 2003 public opening.



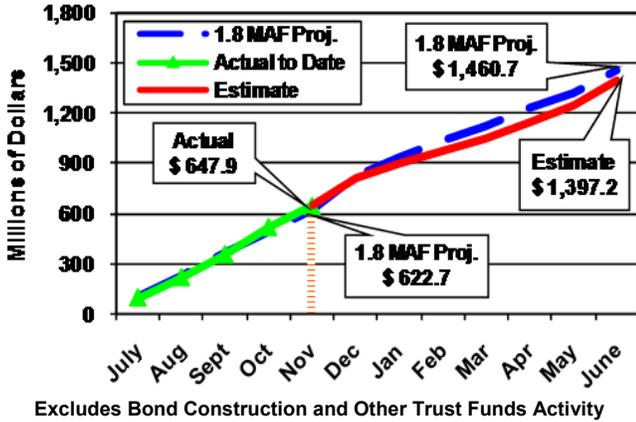
CHIEF FINANCIAL OFFICER GROUP

Record and report the financial activities of Metropolitan in a timely and transparent manner to the Board, executive management, member agencies, and the financial community

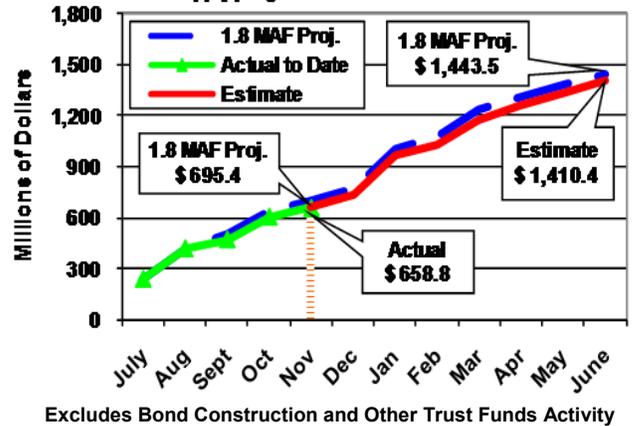
Financial activities continue to be recorded in a timely and transparent manner. The Comprehensive Annual Financial Report was submitted to the Government Finance Officers Association for its Excellence in Financial Reporting program in December of 2011.

FINANCE as of November 30, 2011

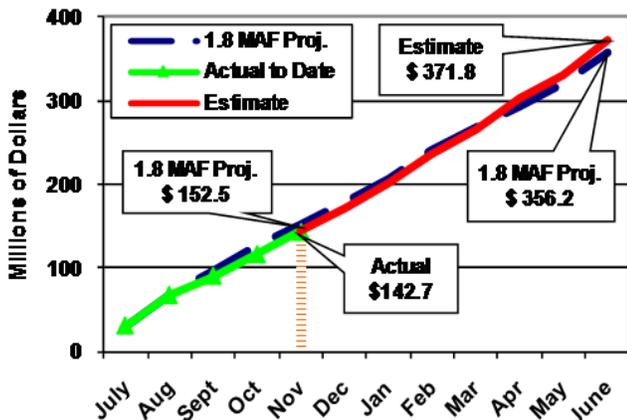
Receipts are expected to be \$64 million under the 1.8 MAF Projection by year end, mainly due to lower water sales, partially offset by the Coachella Valley Water District exchange sale.



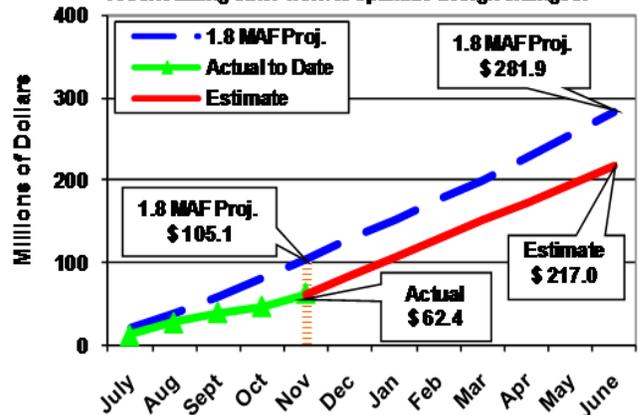
Expenditures are expected to be \$33 million under the 1.8 MAF Projection by year end, mainly due to lower SWP and CRA power costs, partially offset by higher O&M and water supply program costs.



O&M expenditures are expected to be \$16 million over the 1.8 MAF Projection by year end, mainly due to the new MOU agreements and higher chemical costs.



Construction costs are expected to be \$65 million under the 1.8 MAF Projection by year end, mainly due to staging the construction of the Weymouth ORP, and rescheduling other work to optimize design changes.



Cash and Investments \$1,090.3 million



Summary Financial Statistics

	Target	Actual
Fixed Charge Coverage	≥ 1.20 x	1.33 x
Revenue Debt Service Coverage	> 2.00 x	1.89 x
Revenue Bond Debt / Equity Ratio	< 100.0%	73.9%

Credit Ratings

	Target	Actual
- Moody's Investors Service	Aa2	Aa1
- Fitch Ratings	AA	AA+
- Standard & Poor's	AA	AAA

Metropolitan employees throughout the various facilities came together to organize collective efforts to provide some relief and cheer during the holidays. Employees made a commitment to support the communities they live in and work. Donations provided children, adults, and servicemen and women boxes and baskets full of clothes, shoes, household items, personal care products, toys, and books as well as gift cards to grocery stores.

\$3,000+ worth of WalMart cards were purchased with the generosity of employees throughout the district. The cards provide a special trip to shop by teenagers living at the Orangewood Children’s Home. Diemer arranged for this donation.



Organizers at Skinner collected food and cash from employees to provide to the Community Food Pantry in Murrieta.



A number of families were assisted and items were provided to the Central City Community Outreach, Haven House Shelter for Women and Children and For the Troops.

A bake sale held at Headquarters, provided \$600+ for Engineers without Borders.



Employees made donations to take a photo with Santa. The \$500+ was distributed to three different causes.

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Metropolitan's Mission is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

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